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September 30, 2021

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Dominion Energy South Carolina, Inc.'s Request for Authorization from the Federal Energy Regulatory Commission to Use FERC Account 182.2
NDI-2021-____-E

Dear Ms. Boyd:

Enclosed for information only on behalf of Dominion Energy South Carolina, Inc. ("DESC") is a copy of a filing made with the Federal Energy Regulatory Commission on September 30, 2021.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff with a copy of this filing.

Very truly yours,

Matthew W Gissendanner

Matthew W. Gissendanner

MWG/kms
Enclosures
cc: Dawn Hipp
Andrew M. Bateman, Esquire
(both via electronic mail and First Class U.S. Mail)

Dominion Energy®

September 30, 2021

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426
Attention: Office of Chief Accountant

RE: Dominion Energy South Carolina, Inc., Docket No. AC21-____-000
Authorization to use Account 182.2

Dear Secretary Bose:

This letter requests approval of Dominion Energy South Carolina, Inc.'s ("DESC" or "the Company"), formerly known as South Carolina Electric & Gas Company, use of Account 182.2, Unrecovered Plant and Regulatory Study Costs ("Account 182.2"), to account for unrecovered costs of approximately $75 million, as of June 30, 2021, related to the early retirement of certain facilities in South Carolina, as discussed further below in more detail. DESC is not recovering this unrecovered cost through DESC's Federal Energy Regulatory Commission ("FERC" or "Commission") jurisdictional transmission formula rate nor through its FERC jurisdictional wholesale power purchase agreements.[1] As described in further detail below, DESC is recovering the unrecovered costs through retail rates approved by the Public Service Commission of South Carolina ("SCPSC"). DESC notes that its use of Account 182.2 has been open and transparent, as its FERC Form No. 1 filings have disclosed and described its use of Account 182.2 for the below described matters since 2012.[2]

The Uniform System of Accounts instructions for Account 182.2 state: "This account shall include . . . (2) when authorized by the Commission, significant unrecovered costs of plant facilities where construction has been cancelled or which have been prematurely retired." The instructions further state: "Any additional costs incurred, relative to the cancellation or premature retirement, may be included in this account and amortized over the remaining period of the original amortization period." DESC thus seeks Commission approval of its use of Account 182.2 for its

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[1] As noted in a footnote to page 230(b), line 43, column (d) of the Company's 2020 FERC Form No. 1, an immaterial amount ($11,130) of amortization related to unrecovered electric meters carried in Account 182.2 was inadvertently recorded to Account 404 – Amortization of Limited Term Electric Plant ("Account 404") instead of Account 407 - Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs ("Account 407"). An allocation of Account 404 is included in the Company's FERC jurisdictional transmission formula rate. In accordance with the Company's transmission formula rate established protocols, a prior period true-up correction for the impact of this allocation will be included in the Company's 2022 transmission formula rate annual update. As noted in the footnote included in the Company's 2020 FERC Form No. 1, the amortization is being recorded to Account 407 in 2021 and therefore no longer has any impact on FERC jurisdictional transmission formula rates.

[2] *See* DESC FERC Form No. 1, Schedule Page 230(b) (2012-2020).

unrecovered plant costs for reports to the Commission prepared in accordance with the Uniform System of Accounts.

As described below, DESC's use of Account 182.2 for these matters is consistent with orders and retail rate treatment received from the SCPSC. DESC's use of Account 182.2 was based on specific orders from the SCPSC or upon the expectation that such SCPSC authorization would be received. Except as noted in footnote 1, DESC has not recovered any of such amounts through either its FERC jurisdictional transmission rate or through its FERC jurisdictional wholesale power purchase agreements. Moreover, DESC does not plan to seek recovery of such amounts through its FERC jurisdictional transmission rate. DESC's existing FERC jurisdictional wholesale power purchase agreements do not provide for recovery of costs recorded in Account 182.2 and amortized to Account 407 – Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs.

An accounting representative from DESC attended the joint Edison Electric Institute ("EEI") and FERC accounting staff liaison meeting held on August 19, 2021. In this meeting, the use of Account 182.2 and the requirement to obtain FERC approval were discussed. Based on this discussion, DESC has concluded that it should have sought FERC approval to use Account 182.2 for FERC reporting purposes regardless of the FERC jurisdictional ratemaking considerations. Accordingly, DESC is submitting this request.

DESC now fully understands the requirement to obtain FERC authorization *prior* to placing amounts in Account 182.2, regardless of SCPSC authorization of such action, retail rate recovery, or the absence of FERC jurisdictional rate recovery. As such, DESC believes that there is sufficient awareness among its accounting and regulatory staff to ensure full compliance with this requirement going forward.

Specific items requested for authorization in Account 182.2 are as follows:

Canadys Unit 1. In 2012, DESC announced the retirement of the 125 MW Canadys Unit 1. Also in 2012, DESC filed a retail electric base rate case with the SCPSC (Docket No. 2012-218-E). In its filing, DESC proposed a pro-forma entry to amortize the unrecovered plant balance associated with Canadys Unit 1 and referenced the FERC Uniform System of Accounts description for unrecovered plant costs. In December 2012, the SCPSC issued Order No. 2012-951 that provided for recovery of the unrecovered plant balance. Upon retirement of Unit 1 from its property records in December 2012, DESC reclassified the unrecovered carrying value in Unit 1 to Account 182.2. The initial accounting entry, including a reporting top side recorded on the 2012 FERC Form No. 1 that was processed on DESC's ledger in January 2013, was as follows:

Debit Account 182.2 - Unrecovered Plant and Regulatory Study Costs $20,074,732
Debit Account 108 – Accumulated Provision for Depreciation of Electric Utility Plant $33,818,752
Debit Account 154 – Plant Materials and Operating Supplies $17,775
    Credit Account 107 – Construction Work in Progress $15,726
    Credit Account 101 – Electric Plant in Service $53,895,533

In January 2013, in accordance with SCPSC Order No. 2012-951, DESC began amortizing Account 182.2 in the amount of $133,966 per month. That entry has been as follows:

Debit Account 407 – Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs $133,966
Credit Account 182.2 – Unrecovered Plant and Regulatory Study Costs $133,966

The Company has recorded additional amounts to Account 182.2 for costs associated with decommissioning, dismantling, retirement true-ups, inventory and other adjustments. As reported in its FERC Form No. 1 for the year ended December 31, 2020, total charges to Account 182.2 for this retirement have been $19,761,879. As of June 30, 2021, the remaining unamortized balance in account 182.2 was $6,097,339.

Canadys Units 2&3. In November 2013, DESC completed the retirement of the Canadys coal-fired generating station with the removal from service of the 125 MW Unit 2 and the 200 MW Unit 3 at this site. In September 2013, the SCPSC issued Order No. 2013-649 approving DESC's request to (i) reclassify its carrying value in the Canadys units to an unrecovered plant regulatory asset upon their retirement, (ii) recognize additional costs incurred related to the retirement to the unrecovered plant regulatory asset account and (iii) to amortize the unrecovered plant regulatory asset in an amount equal to the level of depreciation expense previously being recorded for the units (which was subsequently determined to be $12.3 million per year). Upon the retirement of the units from its property records in November 2013, the Company recorded the following initial entries:

Debit Account 182.2 Unrecovered Plant and Regulatory Study Costs $111,741,400
Debit Account 108 – Accumulated Provision for Depreciation of Electric Utility Plant $135,335,584
Debit Account 111 – Accumulated Provision for Amortization of Electric Utility Plant $263,534
Credit Account 101 – Electric Plant in Service $247,340,518

Also, in October 2013, the Company reclassified charges from open work orders to Account 182.2 as follows:

Debit Account 182.2 - Unrecovered Plant and Regulatory Study Costs $5,042,094
Debit Account 506 – Miscellaneous Steam Power Expenses $142,451
Credit Account 108 – Accumulated Provision for Depreciation of Electric Utility Plant $503,953
Credit Account 107 – Construction Work in Progress $4,680,592

In December 2013, in accordance with SCPSC Order No. 2013-649, DESC began amortizing Account 182.2 in the amount of $1,022,552 per month. That entry has been as follows:

Debit Account 407 – Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs $1,022,552
Credit Account 182.2 – Unrecovered Plant and Regulatory Study Costs $1,022,552

The Company has recorded additional amounts to Account 182.2 for costs associated with decommissioning, dismantling, retirement true-ups, inventory and other adjustments. As reported in its FERC Form No. 1 for the year ended December 31, 2020, total charges to Account 182.2 for this retirement, through December 31, 2020, were $151,692,250. As of June 30, 2021, the remaining unamortized balance in Account 182.2 was $60,103,030, however the Company continues to incur costs to complete the retirement.

Through the comprehensive settlement agreement approved by the SCPSC in DESC's recent retail electric base rate case (SCPSC Docket No. 2020-125-E, Order No. 2021-570), the SCPSC affirmed the Company's treatment for these units pursuant to Order No. 2013-649. Specifically, in Order No. 2021-570 the SCPSC stated:

"The Commission has carefully evaluated the evidence submitted in this case as to the amortization of the Canadys Units regulatory asset. The Commission concludes that it is just and reasonable for the Company to continue the accounting treatment for the regulatory assets associated with the Canadys Units that DESC implemented pursuant to Order No. 2013-649 and to affirm treatment of this unrecovered investment as a component of rate base."

McMeekin. From 2012 to 2016, DESC transitioned the 294 MW McMeekin generating station from coal to gas fired generation. As result of this conversion, DESC determined that certain inventory would no longer be useful and certain costs accumulated in Account 183 – Preliminary Survey and Investigation Charges ("PSI Account") would not result in construction. DESC considered these costs as additional costs associated with the early retirement of the coal facilities at this site. As a result, over this time period, the Company reclassified its carrying value in the inventory and the PSI Account to Account 182.2. The entries can be summarized as follows:

Debit Account 182.2 Unrecovered Plant and Regulatory Study Costs $1,410,903
Debit Account 163 – Stores Expense Undistributed $344
Credit Account 183 – Preliminary Survey and Investigation Charges $349,641
Credit Account 107 – Construction Work in Progress $46,339
Credit Account 154 – Plant Materials and Operating Supplies $1,015,267

In addition to the activity above, the balance in Account 182.2 for McMeekin also includes $16,826 for other miscellaneous adjustments and accruals. As a result, the total balance in Account 182.2 as of June 30, 2021 is $1,427,729.

Through the comprehensive settlement agreement approved by the SCPSC in DESC's recent retail electric base rate case (SCPSC Docket No. 2020-125-E, Order No. 2021-570), the SCPSC authorized recovery of the balance in Account 182.2 over a 5-year period beginning in September 2021. Accordingly, the Company will begin recording the entry below in September 2021:

Debit Account 407 – Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs $23,796
Credit Account 182.2 – Unrecovered Plant and Regulatory Study Costs $23,796

Urquhart Unit 3. In 2012, DESC converted the 100 MW Urquhart Unit 3 from coal to gas fired generation. As result of this conversion, DESC determined that certain inventory would no longer be useful. DESC considered these costs as additional costs associated with the early retirement of the coal facilities at this site. Therefore, the Company reclassified its carrying value in the inventory to Account 182.2. The entries can be summarized as follows:

Debit Account 182.2 Unrecovered Plant and Regulatory Study Costs $557,755
Debit Account 131 – Cash (sale of material) $2,100
Credit Account 154 – Plant Materials and Operating Supplies $527,927
Credit Account 131 – Cash (spare parts agreement buyout) $31,928

The Balance in Account 182.2 as of June 30, 2021 is $557,755.

Through the comprehensive settlement agreement approved by the SCPSC in DESC's recent retail electric base rate case (SCPSC Docket No. 2020-125-E, Order No. 2021-570), the SCPSC authorized recovery of the balance in Account 182.2 over a 5-year period beginning in September 2021. Accordingly, the Company will begin recording the entry below in September 2021:

Debit Account 407 – Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs $9,296
Credit Account 182.2 – Unrecovered Plant and Regulatory Study Costs $9,296

AMI Metering. In 2019, DESC initiated a project to install Advanced Metering Infrastructure ("AMI") for its retail electric customers. The installation of AMI will result in the existing meters being retired before they are fully depreciated. In addition, in order to capture the benefits and efficiencies of the installation of AMI on its electric system, this project will necessitate the replacement of existing gas meter Encoder Receiver Transmitter ("ERT") devices for its combination (electric and gas) service customers. By Order No. 2019-622 issued in Docket No. 2019-241-EG, the SCPSC authorized the Company to reclassify the carrying value of the existing electric meters and gas ERT devices being replaced to an unrecovered plant regulatory asset account upon their retirement. Further, the order authorized DESC to amortize the unrecovered plant at the level of depreciation currently approved in rates until DESC's next general retail electric rate case or natural gas Rate Stabilization Act ("RSA") annual update, as applicable. In its 2020 RSA order (Order No. 2020-701), the SCPSC approved rates that included an amortization of the ERT devices unrecovered plant through December 31, 2028. Through the comprehensive settlement agreement approved by the SCPSC in DESC's recent retail electric base rate case (SCPSC Docket No. 2020-125-E, Order No. 2021-570), the SCPSC approved depreciation rates that include an amortization of the electric meter unrecovered plant balance through December 31, 2028.

Since the AMI replacement is a phased implementation project, DESC is reclassifying the carrying values to Account 182.2 as retirements are made. When the Company filed its request with the SCPSC in Docket No. 2019-241-EG, the Company stated that as of May 31, 2019 the existing electric meters and gas ERT devices being replaced had carrying values of $59 million and $9 million, respectively. The Company further stated that since the project is a phased implementation that the actual carrying value reclassified to Account 182.2 will not be known until the project is complete. Amortization of the unrecovered balance is being recorded monthly, with monthly amortization amounts being updated as necessary based on retirement activity. The pro-forma entries being recorded are as follows:

Debit Account 182.2 – Unrecovered Plant and Regulatory Study Costs $XXXX
Debit Account 108 – Accumulated Provision for Depreciation of Electric Utility Plant $XXXX
Credit Account 101 – Electric Plant in Service $XXXX

To record retirement of existing electric meters.

Debit Account 182.2– Unrecovered Plant and Regulatory Study Costs $XXXX
Debit Account 119 – Accumulated Provision for Depreciation and Amortization of Other (Gas) Utility Plant $XXXX
Credit Account 118– Other (Gas) Utility Plant $XXXX

To record retirement of gas ERT devices.

The monthly amortization is being recorded as follows:

Debit Account 407 – Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs $XXXX
Credit Account 182.2 – Unrecovered Plant and Regulatory Study Costs $XXXX

As of June 30, 2021, the unrecovered balance for retired electric meters and gas ERT devices were $5,045,853 and $1,507,410, respectively. As indicated above, the Company is reclassifying its carrying value of the existing electric meters and gas ERT devices to Account 182.2 and adding to this balance as retirements are being made.

For the reasons set forth above, for purposes of reporting to the Commission in accordance with the Uniform System of Accounts, DESC respectfully requests approval of its use of Account 182.2 to account for (i) approximately $75 million of unrecovered plant balances, as of June 30, 2021, (ii) additional costs to complete the retirement of Canadys Units 2&3 and (iii) future unrecovered plant balances related to the retirement of existing electric meters and gas ERT devices that the SCPSC has authorized for recovery in the various proceedings described above.

Please contact me with any questions or communications regarding this filing at (803) 217-7187 or via electronic mail at keith.coffer@dominionenergy.com.

Respectfully submitted,

/s/ Keith C. Coffer, Jr.
Keith C. Coffer, Jr.
Controller
Dominion Energy South Carolina, Inc.

cc: Ms. Jocelyn Boyd, Public Service Commission of South Carolina
Ms. Nanette Edwards, South Carolina Office of Regulatory Staff